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The attached financial information was requested by David Wigg at NSC. It was prepared for his consideration in light of proposed legislation on financial controls for U.S. banks.

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Comments and questions are welcome and should be addressed to Chief, Regional East-West Branch []

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E U R A

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Syndicated Lending to Eastern Europe in 1985

Eastern Europe has undertaken in recent months a resurgence in borrowing from Western commercial banks. Syndicated credits to Bulgaria, Czechoslovakia, East Germany, and Hungary have totaled \$2.6 billion so far in 1985--compared with just \$3.2 billion in 1982-84--and have carried favorable terms. The principal borrowers have been East Germany, Hungary, Bulgaria, and Czechoslovakia, which have used the credits to improve debt maturity schedules and to rebuild hard currency reserves rather than to finance imports. The principal lenders have been Japanese and Arab banks, although West European and US banks have also participated. The surge in lending by bankers seems to be the result of high bank liquidity and a lack of better lending opportunities elsewhere instead of enthusiasm over East European economic performance and prospects.

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East Germany has borrowed \$1.2 billion this year through two loans which were heavily oversubscribed at \$600 million each. In March, three US banks and the Bank of Tokyo underwrote a loan for 7 years with 3 1/2 years grace, at 0.875 percent over LIBOR or 0.5 percent over US Prime. A second \$600 million loan in June was led by the Arab Banking Corporation of Bahrain, the International Bank of Japan, and First Chicago. The loan was for 8 years, with rates of 0.75 percent over LIBOR on a \$520 million tranche and 0.375 percent over US prime on an \$80 million tranche. US bank participation was \$50-60 million

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and included First Chicago, Bankers Trust, Security Pacific, and the American Security Bank. [REDACTED]

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Hungary also has received over \$1 billion in new loans this year. Japanese banks have been particularly active in lending to Hungary. In June, Budapest concluded an \$800 million loan package from the World Bank and commercial banks. The commercial half was managed by National Westminster, Arab Banking Corporation, the Bank of Tokyo, and a US bank. The credit is a multicurrency facility including an ECU tranche, and was underwritten at favorable rates. [REDACTED]

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Czechoslovakia has also received Western credits. In July Prague borrowed \$100 million from a bank consortium led by Credit Commerciale de France. The loan was placed at 0.25 percent over LIBOR for the first two years and 0.375 percent over LIBOR for the following six years. Banks from West Germany, Austria, Japan, the US, and Finland are participating. Only Bankers Trust participated from the US. [REDACTED]

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[REDACTED].

Romania received an \$80 million club loan in May to help it meet a

repayment on previously rescheduled debt. The loan, which comes due in October, was arranged by Barclays Bank, Deutsche Bank, Union Bank of Switzerland, and a US bank. Bucharest hopes to raise a further \$150 million this year in syndicated credits. [REDACTED]

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Yugoslavia received \$25 million in credits since January as part of a World Bank co-financed loan. [REDACTED]

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Share of U.S. Commercial Banks in Total
BIS-Area Lending to Eastern Europe
(millions of US \$)

	BIS-Area Total ^a	U.S. ^b	U.S. Share in Percent ^c
Total Eastern Europe			
1982	48,505	6,048	12.5
1983	44,835	5,384	12.0
1984	41,491	4,668	11.3
1985 ^c	40,602	4,418	10.9
Bulgaria			
1982	2,067	192	9.3
1983	1,757	128	7.3
1984	1,568	100	6.4
1985 ^c	1,673	10.6	6.3
Czechoslovakia			
1982	2,848	171	6.0
1983	2,733	157	5.7
1984	2,410	157	6.5
1985 ^c	2,393	107	4.5
East Germany			
1982	8,859	633	7.1
1983	8,373	485	5.8
1984	8,262	372	4.5
1985 ^c	8,201	308	3.8
Hungary			
1982	6,757	937	13.9
1983	7,026	904	12.9
1984	6,765	765	11.3
1985 ^c	6,900	663	9.6
Poland			
1982	13,910	1,513	10.9
1983	11,236	1,067	9.5
1984	9,003	693	7.7
1985 ^c	8,826	687	7.8
Romania			
1982	4,2	282	6.6
1983	3,888	211	5.4
1984	3,836	202	5.3
1985 ^c	3,099	190	6.1

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Yugoslavia

1982	9,821	2,320	23.6
1983	9,822	2,432	24.8
1984	9,647	2,379	24.7
1985 ^c	9,510	2,357	24.8

a Assets of reporting BIS-area banks vis-a-vis Eastern Europe based on semiannual statistics of the Bank for International Settlements (BIS).

b Assets of U.S. banks vis-a-vis Eastern Europe based on statistical releases of the Federal Financial Institutions Examination Council.

c March 1985.

SUBJECT: Syndicated Lending to Eastern Europe in 1985

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